WEEKLY ECONOMIC REVIEW

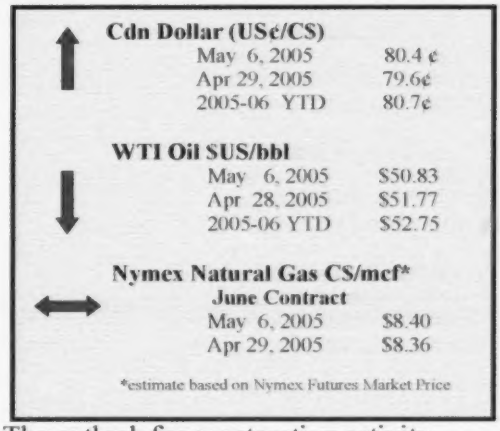
MAY 6, 2005

The U.S. Federal Reserve Board raised its key interest rate by 25 basis points (0.25 percentage points), to 3.0%. Since the move was widely expected, it had relatively little impact on currency markets. The U.S. Federal Funds rate now exceeds the Bank of Canada's overnight rate by 50 basis points.

A strong U.S. employment report provided a boost to markets, following a number of disappointing U.S. economic releases in recent weeks. In April, U.S. payroll employment rose by 274,000, well above market expectations for a gain of 170,000.

Canada's April employment growth also exceeded expectations, showing a gain of 29,300 jobs.

The Alberta economy added 2,200 jobs in April, but a large increase in the reported labour force (+11,800) raised the province's unemployment rate to 4.0% (this followed a surprising 7,400 person decline in the labour force in March). Alberta's unemployment rate remains the lowest in Canada, and the April rate of 4.0% was the second-lowest monthly unemployment rate in 23 years.



The outlook for construction activity remains buoyant, as both Alberta and Canadian building permits showed strong growth in March. In Alberta, non-residential building permits reached their highest level on record, up a remarkable 130% through the first 3 months of 2005.

Alberta rigs drilling showed its usual seasonal decline in April (due to spring break-up). Year-to-date, drilling activity is up 5.9%. Energy markets lacked a firm direction this week, as further increases in U.S. inventories were offset by concerns about higher summer energy demand.

Economic Indicators Released this Week	Reference Period	Month/Previous Month (M/M)	Month/Previous Year's Month (Y/Y)	Year-to-date[1]
Building Permits ($ millions)	**March**			
Alberta	963	28.9%	46.1%	47.6%
Canada	5,268	4.9%	22.6%	15.8%
Alberta Rigs Drilling	**April**			
	146	-59.4%	-5.9%	5.9%
Employment	**April**	**Gain/Loss from Previous Month (#)**	**Month/Previous Year's Month (Y/Y)**	**Y/Y (% change)**
Alberta		+2,200	+24,500	1.4%
Canada		+29,300	+214,200	1.3%
United States		+274,000	+2,170,000	1.7%

Source: Statistics Canada

[1]*Year-to-date 2005 compared to the same time period in 2004. For example: January-March 2005 versus January-March 2004*